

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF DELTA	)	
NATURAL GAS COMPANY, INC. FOR AN	)	CASE NO.
ADJUSTMENT OF ITS RATES AND A	)	2021-00185
CERTIFICATE OF PUBLIC CONVENIENCE	)	
AND NECESSITY	)	

COMMISSION STAFF'S THIRD REQUEST FOR INFORMATION  
TO DELTA NATURAL GAS COMPANY, INC.

Delta Natural Gas Company, Inc. (Delta), pursuant to 807 KAR 5:001, is to file with the Commission an electronic version of the following information. The information requested is due on September 8, 2021. The Commission directs Delta to the Commission's July 22, 2021 Order in Case No. 2020-00085<sup>1</sup> regarding filings with the Commission. Electronic documents shall be in portable document format (PDF), shall be searchable, and shall be appropriately bookmarked.

Each response shall include the name of the witness responsible for responding to the questions related to the information provided. Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the preparer or the person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

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<sup>1</sup> Case No. 2020-00085, *Electronic Emergency Docket Related to the Novel Coronavirus COVID-19* (Ky. PSC July 22, 2021), Order (in which the Commission ordered that for case filings made on and after March 16, 2020, filers are NOT required to file the original physical copies of the filings required by 807 KAR 5:001, Section 8).

Delta shall make timely amendment to any prior response if Delta obtains information that indicates the response was incorrect when made or, though correct when made, is now incorrect in any material respect. For any request to which Delta fails or refuses to furnish all or part of the requested information, Delta shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

Careful attention shall be given to copied material to ensure that it is legible. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request. When applicable, the requested information shall be separately provided for total company operations and jurisdictional operations. When filing a paper containing personal information, Delta shall, in accordance with 807 KAR 5:001, Section 4(10), encrypt or redact the paper so that personal information cannot be read.

1. Refer to the Application, Tab 4, page 24 of 50, proposed addition of Force Majeure language to the tariff. Generally, explain why it would be appropriate to include language shielding a regulated utility from potential liability in a tariff.

2. Refer to the Application Tab 5, page 27 of 52, proposed deletion of language in the deposit section of the tariff. Confirm that Delta pays interest on deposits annually to all customers with a deposit on file.

3. Refer to the Application, Schedules A, B, and C.

- a. Provide schedules, including a revenue requirement calculation, that exclude pipeline replacement program (PRP) plant and expenses from base rates.

b. Provide the PRP rider rates that would result from excluding the PRP from base rates, assuming that Delta's proposal to use a forecasted test-year for the PRP is granted.

c. Provide supporting schedules and calculations in Excel spreadsheet format with all formulas, columns, and rows unprotected and fully accessible.

4. Refer to the Direct Testimony of John B. Brown, (Brown Testimony) page 8, line 19. Mr. Brown states that Delta's O&M expenses have increased 18 percent since the last base rate case. Explain how much of this increase can be attributed to an increase in 811 tickets.

5. Refer to the Brown Testimony, page 17, lines 18–21,

a. Provide a detailed breakdown of the projected \$18.8 million in capital expenditures.

b. Provide a detailed breakdown of the projected \$17.6 million in capital expenditures.

c. Provide a detailed breakdown of the capital costs associated with the PRP in the base and forecasted test year.

6. Refer to the Direct Testimony of Jonathan Morpew (Morpew Testimony), page 7, lines 12–21.

a. Provide the location and amount of Geographic Information System (GIS) system plant and expenses included in Delta's base and forecasted test periods.

b. Explain the process by which Delta determined that the GIS system was appropriate and necessary for Delta.

7. Refer to the Morpew Testimony, page 10, line 10 and the Application, Schedules B and C. Explain whether any costs associated with the proposed Nicholasville pipeline are included in Delta's forecasted test period rate base. If so, provide the location and amounts.

8. Refer to the Direct Testimony of William Steven Seelye, Exhibit WSS-7, page 9, Table 1.

a. For each plant account, provide the resulting depreciation rates excluding net salvage.

b. For each plant account, explain whether Delta generally replaced removed assets or removes them from service without replacement.

c. For each plant account that is generally replaced, explain whether net salvage could be capitalized with installation costs for replacement pipe and recovered through depreciation of the replacement assets.

9. Refer to Delta's Response to Staff's Second Request for Information (Staff's Second Request), Item 15a. In response to Staff asking why Delta did not defer the CPCN request until more information was available, Delta responded that it did not want to incur significant engineering and acquisition costs prior to Commission review and approval. Refer to the final Order in Case No. 2020-00174, page 80.<sup>2</sup> There, the Commission found that the proposed CPCN should be denied due to the lack of adequate support for either the costs of its proposal or the alternative, and found that Kentucky

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<sup>2</sup> Case No. 2020-00174 *Electronic Application of Kentucky Power Company for (1) A General Adjustment of Its Rates for Electric Service; (2) Approval of Tariffs and Riders; (3) Approval of Accounting Practices to Establish Regulatory Assets and Liabilities; (4) Approval of a Certificate of Public Convenience and Necessity; and (5) All Other Required Approvals and Relief* (Ky. PSC Jan. 15, 2021).

Power did not provide sufficient evidence that the proposal was the most reasonable, least-cost alternative. Provide supporting documentation that allows for the Commission's standard of review based upon KRS 278.020(1) supporting a need for such facilities and an absence of wasteful duplication.

10. Refer to Delta's Response to Staff's Second Request, Item 44. Provide the attached regression analysis in Excel spreadsheet format with all formulas, columns, and rows unprotected and fully accessible.

11. Refer to Delta's Response to Staff's Second Request, Item 45. Mr. Seelye states that the decision to increase the Residential class one percentage point above the Small Non-Residential and Large Non-Residential classes was to reduce the subsidies between the rate classes. Explain how the allocation of the proposed increase was determined for the Small Non-Residential and Large Non-Residential classes.

12. Refer to Delta's Response to Staff's Second Request, Item 47. Mr. Seelye states that the volume of gas transported by the Off-system Transportation class is dependent on how competitive Delta's transportation rates are compared with alternative services to transport the gas, so there is a limit to what the market will bear before customers choose to transport their gas through resources other than Delta.

a. For each of Delta's industrial and transportation customers, explain how close that customer is to the nearest competing pipeline in order to bypass Delta. Provide the supporting map.

b. For each customer identified above, provide the limit or break even analysis and rates at which the customer will to choose to transport their gas through resources other than Delta. Include the supporting analysis.

13. Refer to Delta's Response to Staff's Second Request, Item 51. Regarding any over/under recovery for the balancing adjustment of the Pipeline Replacement Program (PRP). Explain if there will be any carrying charges associated with any over/under recovery and if so, what Delta proposes those charges to be.

14. Refer to Delta's Response to Staff's Second Request, Item 56. The Excel spreadsheet was not filed. File the responses in Excel spreadsheet format with all formulas, columns, and rows unprotected and fully accessible.

15. Refer to Delta's Response to Staff's Second Request, Item 3, regarding the change in ownership language in the farm tap section of the tariff.

a. Explain whether a new owner will be responsible for the overdue balance of the previous owner if the new owner has no affiliation with the previous owner.

b. Explain how Delta will know whether the new owner has any affiliation with the previous owner.

c. Confirm that Diversified Gas and Oil's tariff referenced in the response was allowed to go into effect through the tariff filing process and was not explicitly approved by Order of the Commission.

16. Refer to Delta's Response to Staff's Second Request, Item 4. Provide detailed cost support for the Request Test Charges.

17. Refer to Delta's Response to Staff's Second Request, Item 5a. Confirm that 807 KAR 5:022, Section 4(1)(a) applies to extensions of distribution mains and not service lines. If confirmed, explain why Delta treats the service line as an extension of the distribution main in regards to who is responsible for the cost of the service line from Delta's main to the customer's meter.

18. Refer to Delta's Response to Staff's Second Request, Item 6. The Excel spreadsheet only contains the billing analysis for the base year. Provide the forecasted billing analysis in Excel spreadsheet format with all formulas, columns, and rows unprotected and fully accessible.

19. Refer to Delta's Response to Staff's Second Request, Item 7. Explain what is contributing to the decline in return on equity (ROE) at present rates from 7.6 percent to 0.21 percent.

20. Refer to Delta's Response to Staff's Second Request, Item 42. Explain if it is industry practice to determine the design day temperature as the average of the three coldest annual mean temperatures that have occurred during the last 30 years. If it is, provide support.

21. Refer to Delta's Response to Staff's Second Request, Item 58, pages 2 and 3 of 3.

a. Explain the Delta Light Pilot Charge and indicate whether it is included in Delta's current or proposed tariff.

b. Confirm that the charges listed for "Peoples Kentucky" were prior to Delta taking over the Peoples KY LLC (Peoples KY) gas system.

c. Other than the \$25 Reconnection Charge, \$25 Transfer Service Charge, and \$150 Meter Install Charge, indicate whether Delta plans to continue to charge the other "PKY" charges listed in this response.

d. For any charges listed in the response to c. above, indicate the provision of Delta's proposed tariff that allows for them to be assessed.

e. Explain what was included in the \$75 PKY Turn On Charge and indicate whether Delta will continue to assess this charge. If so, indicate the provision in the proposed tariff that would allow the assessment of this charge.

f. Explain why there are two separate rates listed as PKY Meter Install Charge.

g. Provide a breakdown of the \$2,500 budgeted for April 2021 through August 2021 for Peoples KY.

22. Refer to Delta's response to the Attorney General's First Request for Information, Item 95c. Provide the wage and salary study for executive staff.

23. Provide Delta's succession planning document.

24. Provide the number of miles and locations for all high consequence area and medium consequence area segments identified as Aldyl-A pipe.

25. Provide the amount of pre and post 1973 Aldyl-A pipe in Delta's system in a map of where it is located on the system.

26. Provide the leak rates per mile of pipe for the bare steel and Aldyl-A pipe on the system for the previous five years.

27. Provide in Excel spreadsheet format with all formulas, columns, and rows unprotected and fully accessible, the average monthly bill impact for each customer class based on current and proposed base rates and not including any riders, roll-in of the pipeline replacement program charges, and the gas cost adjustment.

28. Explain the impact on Delta's depreciation expense when Delta replaces plant through the PRP and discuss whether this impact is included in the PRP rider rates.

29. Provide a lead/lag study which excludes non-cash items. Using this study, provide the cash working capital amount that would be included in rate base for the base and forecasted test periods.

30. Explain whether Delta separately accounts for farm tap revenues, expenses, and utility plant in a way that enables Delta to produce financial statements which exclude farm tap activities.

31. Explain whether Delta includes revenues or expenses from farm tap customers in its annual financial report filed with the Commission.

32. Explain whether Delta includes farm tap revenues in the gross revenue report filed with the Commission. If so, explain whether Delta's PSC assessment fees include farm tap revenues.



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DATED AUG 24 2021

cc: Parties of Record

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